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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

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State Department review completed

15 September 1970

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Approved For Release 2004/03/17 : CIA-RDP79T00975A017100090001-2

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No. 0221/70
15 September 1970

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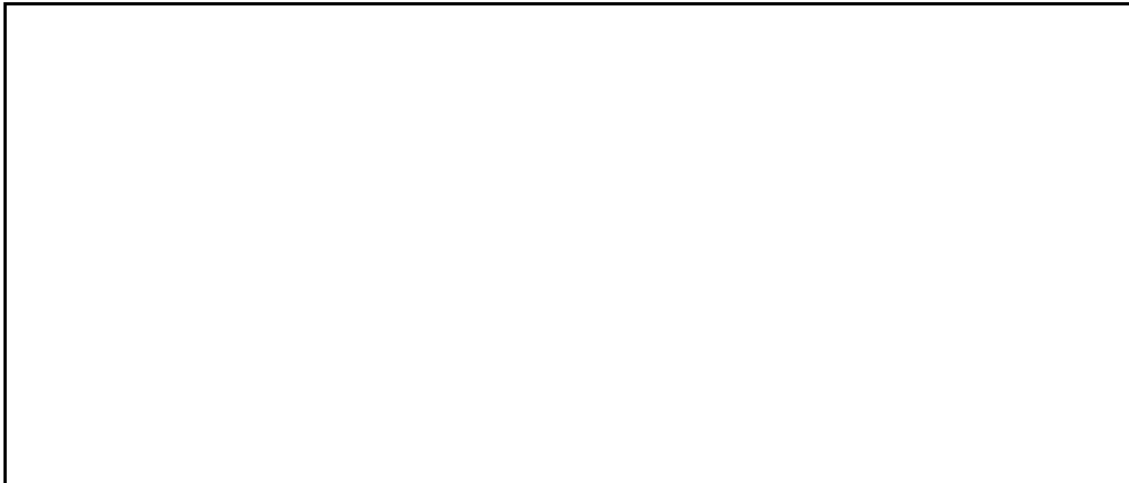
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[ARAB STATES - ISRAEL: Israel's roundup of Arabs on the West Bank may be hardening fedayeen demands, which Western negotiators are still seeking to clarify.



The Red Cross apparently takes a dim view of the Israeli arrests in occupied territory. Red Cross representative Jacquinet has said that if the Arabs are being picked up as "counterhostages" for those detained in Jordan by the PFLP, such tactics run against Red Cross principles and Geneva might be forced to take a "fresh look" at its role in Jordan. According to press reports, Israel has sent word to the commandos that if the remaining hostages are not released "it will be very bad for the Arabs" recently rounded up; Israel might impose the death penalty on convicted guerrillas if the hostages are harmed.

Meanwhile, both the British and the Germans, disturbed by Israel's adamant refusal to make any offers likely to influence the fedayeen, are said to be moving toward a separate deal. The German ambassador has told representatives of the other five powers meeting in Bern that if concrete steps in a multinational framework are not decided upon within a short time, Germany could be obliged to

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[negotiate separately to free its own nationals. A British threat to move independently if a new Red Cross negotiator were not named was forestalled by the appointment of Boisard, head of the permanent Red Cross delegation in Cairo, who was so successful in the Suez prisoner exchange.

In Jordan, meanwhile, commando spokesman reported new attacks yesterday by army troops on guerrilla units in the Irbid area in the north. In Amman, however, vehicular and pedestrian traffic was normal, almost all of the shops were open, most of the fedayeen were off the streets, and some of the roadblocks had been dismantled. Both fedayeen and army positions have been reinforced, however; the headquarters of the Palestine Armed Struggle Command--the fedayeen military coordination council--has been dug in, and several heavy machine guns can be seen. [REDACTED]

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[REDACTED] the fedayeen had been cooperating to carry out the cease-fire agreement until the outbreak of fighting in the north, after which the situation once again became tense. [REDACTED]

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CAMBODIA: Government troops attempting to break through along Route 6 to Kompong Thom have pulled back from the village of Tang Kauk, 15 miles north of Skoun, after failing to dislodge well-entrenched Communist forces there.

The Cambodians so far have suffered over 100 casualties in the fighting and are sending reinforcements to their stalled forces. Press reports indicate that the enemy has destroyed a bridge on Route 6 to the rear of the government column. A North Vietnamese prisoner claims that there are sizable numbers of Communist troops along Route 6 just north of Tang Kauk.

Meanwhile, the government's relief convoy that reached Kompong Thom by water on 10 September has returned to Kompong Chhnang without incident to pick up additional supplies for a second trip to Kompong Thom. Elsewhere, the Communists confined their activities to harassing attacks on scattered government positions.

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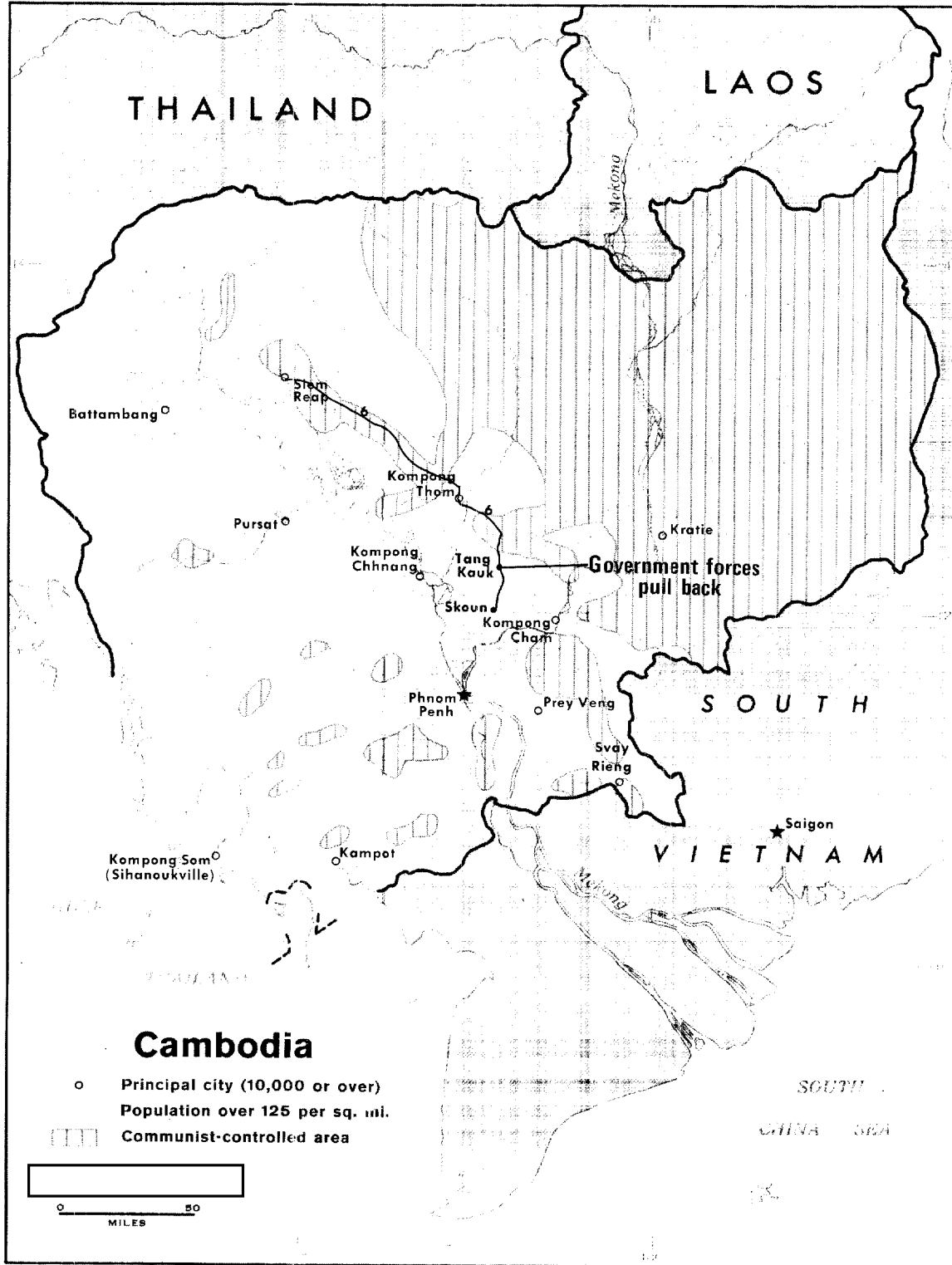
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Current Situation



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UNITED KINGDOM: A distinctly poor trade performance report for August could intensify the recent downward exchange pressure on sterling.

Commodity imports exceeded exports by some \$555 million last month, but this deficit was distorted by reporting procedures. Reporting on exports usually lags; thus the abrupt drop during the three-week dock strike in July was paired with the accelerated movement of imports after the strike. Comparable difficulties arose last month, when the reporting lag produced a distorted surplus of some \$330 million for July.

Although a deficit was expected, its size may put additional pressure on sterling in exchange markets. The government has amply highlighted the technical reasons for the bad returns, but many speculators remain skittish about the longer-term prospects for Britain's trade and the pound. Factors contributing to the weakened position of the pound include unusually large increases in domestic wages and prices, growing recognition that earlier 1970 export gains came more from price than quantity increases, and a recent assessment by a leading British research institute that raised the possibility of a new devaluation.

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USSR-CUBA: The Soviets are apparently preparing to use naval facilities in Cienfuegos to support nuclear-powered submarines.

25X1 [redacted] two 82-foot support barges have been delivered to the Cienfuegos naval base. The barges were brought to Cuba from the Soviet Northern Fleet on board an Alligator-class landing ship [redacted]

25X1 [redacted] The specific function of these barges is unknown, but they are believed to be used in the USSR to support nuclear submarines.

An E-II class nuclear-powered cruise missile submarine, which visited Cienfuegos last May, tied up at the facility where the barges are now located.

[redacted]

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CHILE: Salvador Allende continues his efforts to "legitimize" his claim to the presidency.

Addressing a "victory" rally on 13 September, Allende tried to intimidate those who would block his victory in the congressional runoff on 24 October by threatening to "paralyze" Chile. His most specific threats were directed toward banking and industrial interests, which he accused of promoting economic crisis and financing "seditious conspiracies."

Allende made flattering references to the armed forces and to the Christian Democratic Party (PDC), implying that both groups respected his plurality. He particularly cited the early congratulations of defeated candidate Radomiro Tomic and other leftist PDC members, a move that may weaken the party's belated effort to construct and maintain a common front against Allende.

Allende apparently still relies on some leaders of the Radical Party, although there is strong evidence that only a minority of its members followed party orders to vote for him.



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CENTRAL AMERICA: An agreement that, if implemented, will revitalize the Common Market was signed last week by the economics ministers of the five member states.

The most important provision would establish a development fund that could be used to correct persistent intraregional trade deficits. The ministers also agreed to develop a coordinated agricultural policy to encourage national product specialization, and to work toward stabilizing agricultural prices. In addition, new protocols on the establishment of regional industries are to be negotiated.

The agreement represents the culmination of months of hard bargaining, during which Honduras threatened to withdraw from the integration movement unless it was assured of more equal benefits from membership. El Salvador, for its part, had to weigh its interest in keeping the Market alive against its disinclination to assist the Honduran economy.

There now are grounds for optimism that the integration movement, stalled since the July 1969 war between El Salvador and Honduras, will not only survive but will continue to develop. Specific details relating to the agreement are to be ironed out at working-level meetings beginning in October. The economics ministers, hopeful that the Market will be functioning normally by December, will reconvene in November to review progress.

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SIERRA LEONE: Important defections from the ruling All People's Congress (APC) confront Prime Minister Stevens with his most serious challenge since coming to power in 1968.

Two prominent cabinet ministers resigned on Saturday, threatening to publicize evidence of Stevens' involvement in corruption. The ministers, who were promptly expelled from the APC, represent a party faction long critical of Stevens' leadership. At an anti-Stevens rally on Sunday, the ex-ministers accused the prime minister of authoritarianism and of using violence to intimidate his opponents. The rally also served as the occasion for John Karefa-Smart, a widely respected and popular national figure being pushed by Stevens' opponents as a possible successor, to announce his resignation from the APC.

【 In an attempt to stifle overt criticism and discourage further defections, Stevens yesterday declared a state of emergency. He may also use the declaration as a pretext for suppressing his opponents, as he has in the past. 】

The APC, a northern-based coalition with an overwhelming majority in Parliament, is plagued by factionalism. Traditionally, its main opposition has come from a southern-based party that ruled from independence until 1967. Now, however, Stevens is also faced with a potentially significant opposition in the north, as all the defectors are from that part of the country. This narrowing of his political base may force him to reassess his intention to call new elections soon.

With tensions building, the prospect for violence, never far below the surface in Sierra Leone politics, is increasing. 【 Rock-throwing APC "bully" 】

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[boys," used so effectively to intimidate the opposition during by-elections last year, tried unsuccessfully to disrupt Sunday's rally. Further attempts by Stevens to use strong-arm tactics could backfire, however. Before the emergency was declared the army and police commanders said that they would not back political moves by the government to quash its opponents. [REDACTED]

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NOTES

USSR - EAST GERMANY - UN: The Soviets appear ready to make a major effort to seat East Germany in the UN at the General Assembly session opening today. Their ambassador to Pankow, Abrasimov, is included in the delegation to the meeting, suggesting that Moscow plans to bring up this subject. There have been numerous other signs that such a campaign is in the offing, including the increasing public emphasis the Soviets and East Germans have been placing on Pankow's demand for membership.

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[REDACTED]

[REDACTED] Moscow probably believes that admission to the UN would precipitate general international recognition of Pankow, and ultimately force Bonn to follow suit, but the West Germans are sure that there are enough votes to block such a move at this session. [REDACTED]

* * * *

POLAND - WEST GERMANY: The next round of bilateral political talks, postponed from early September, will be held in Bonn at the deputy foreign minister level in early October. Warsaw radio, in making this announcement, said the two sides also agreed that West German Foreign Minister Scheel and his Polish counterpart Jedrychowski will "finalize" the talks, which probably means conclude an agreement, in Warsaw in early November. Willingness to make this timetable public suggests that Bonn and Warsaw are confident that the remaining problems in drafting the treaty language can be resolved in a manner satisfactory both to themselves and the four major powers. [REDACTED]

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BULGARIA-ROMANIA: Bulgarian Premier Zhivkov and Romanian President Ceausescu at a meeting last weekend agreed that a Romanian delegation would visit Sofia in November to sign the long-delayed new treaty of friendship, the draft of which was initialed in 1968. They also agreed to continue design work on a joint Danube River hydroelectric power project that the Bulgarians have long sought and further to expand economic collaboration, especially in the area of industrial production. This was the first meeting between Zhivkov and Ceausescu in three years. [REDACTED]

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ALBANIA-JAPAN: A three-year trade agreement to be signed shortly will open up trade relations between the two countries. A Japanese trade promotion delegation that recently visited Tirana reported that the agreement--between Albania and private Japanese firms--will provide for the export of Albanian minerals, including chrome, nickel, and copper, and of Japanese whole plants, including an oil refinery. The Hoxha regime also has been seeking to develop political and trade contacts in Western Europe, probably hopeful that it can supplement the substantial economic assistance promised by China over the next five years. [REDACTED]

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